REVERSE MORTGAGES EXPLAINED

Thank you for considering a reverse mortgage loan. As you may know, a reverse mortgage loan is a very special type of loan that permits borrowers to convert some of the equity in their home to cash. Reverse mortgages can give senior homeowners the funds they need to lead a more secure and enjoyable retirement, repair their homes, or potentially pay for long-term care and other necessary expenses, while allowing them to continue to live in their own homes for as long as they want. **However, reverse mortgages may not be suitable in every circumstance.**

MAKING THE RIGHT CHOICE FOR YOU

We've prepared this brochure to explain in plain language this very special loan and both the circumstances where the product may or may not be well-suited to meet your financial needs or expectations. Of course, like any discussion that is by necessity general in nature, you may have unique requirements that are not fully addressed in this brochure. We therefore recommend that you share this pamphlet and discuss these matters with your trusted advisors, including your children, other members of your family, as well as your financial, legal, and tax consultants.

DISCLOSURES TAILORED TO YOUR SITUATION

At various times throughout the application and closing process for your reverse mortgage loan, you will be provided with detailed and special disclosures tailored to your particular circumstances and loan application. Please read them very carefully and make sure you fully understand them. Please go over them with your trusted advisors. Please understand that these particular disclosures are meant just for you, and that, if they are different in any respect from the information in this brochure, it is the particular disclosures that count rather than the words of this brochure.

UNDERSTANDING REVERSE MORTGAGES

Under a reverse mortgage you do not make monthly mortgage payments. As is the case with a traditional forward mortgage, you retain title to your home while your property is pledged to the lender as security for the loan. You remain responsible for payment of taxes, insurance, and any other obligations that might create a lien on the property, as well as to maintain the property. Some or all of the cost of setting up the loan can generally be paid with loan proceeds advanced at closing.

The amount of loan proceeds available to you depends upon a variety of factors including the appraised value of your home, the amount of any mortgage or liens against the property and any related debt, your age, the cost of the loan, and regional or overall program limits set by the Federal Housing Administration or loan investors. Generally, the lower the age of the borrower (and therefore the longer the borrower's life expectancy), the smaller the loan amount for which you may qualify. As you might expect, the higher the home value, generally the higher the loan amount for which you may qualify. Finally, the higher the interest rate and the costs and fees associated with originating the loan, the lower the cash proceeds you may receive.

HOW REPAYMENT WORKS

Over time, the loan balance of a reverse mortgage will rise. It grows because the borrower may continue to receive loan advances and is being charged interest on the outstanding loan balance while no repayment is made until a future time. No repayment is required under a reverse mortgage as long as you, the borrower, live in the home as your principal residence and abide by the terms in your loan agreement (e.g., pay property taxes and insurance). When the last surviving borrower passes away, sells the home, or permanently moves away, the full loan balance becomes due and payable. There is a limit on the amount of the borrower's repayment obligation, known as a "non-recourse" limit. Quite simply, a "non-recourse" limit means that the total amount requiring payment by the borrower can never exceed the value of the home (after deducting the costs of sale) at the time the loan becomes due and payable.

DIFFERENT KINDS OF REVERSE MORTGAGES

There are currently two basic types of multipurpose reverse mortgages, the federally insured Home Equity Conversion Mortgage (commonly referred to as the "HECM") which currently accounts for approximately 90% of the reverse mortgages originated in the United States, and proprietary reverse mortgages developed and sponsored by private lenders. These are considered "multipurpose" reverse mortgages because you may use the loan proceeds for any purpose you wish. In addition, some state and local government agencies offer single-purpose reverse mortgages that are available for a single limited purpose, such as home repair or the payment of property taxes. If your needs are limited to these purposes, you may wish to investigate whether a state or local government agency in your area offers such a program. While these programs generally have maximum income eligibility requirements, their total cost is usually less than the multipurpose reverse mortgage programs currently available and some programs may even forgive the principal balance of the loan after a certain period of time.

OPTIONS FOR GETTING YOUR MONEY

For multipurpose reverse mortgage programs, borrowers generally may choose from among different options for receipt of their loan proceeds, and, to the extent undisbursed loan proceeds remain, the payment option can be changed at any time. The following options are generally available in most states:

Tenure *– The borrower receives equal monthly payments from the lender as long as the home is occupied as the borrower's principal residence.*

Term *– The borrower receives equal monthly payments for a period of months as selected by the borrower.*

Line of Credit *– The borrower may draw loan proceeds in amounts and at times he/she chooses until the credit line is exhausted.*

Lump Sum *- The borrower may draw from a line of credit all or any lesser amount of available loan proceeds at closing.*

Modified Term *- The borrower may combine a line of credit with monthly payments for a number of months selected by the borrower.*

Modified Tenure *- The borrower may combine a line of credit with monthly payments as long as the home is occupied as the borrower's principal residence.*

UNDERSTANDING REVERSE MORTGAGE COSTS

Many of the same costs that one pays to obtain a home purchase loan, or to refinance their existing mortgage, apply to reverse mortgages too. You can expect to be charged an origination fee, upfront mortgage insurance premium (for the HECM), an appraisal fee, and certain other standard loan costs.

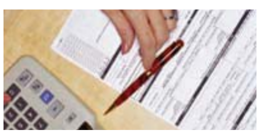
Generally, reverse mortgages have significant upfront closing costs. For borrowers who move out, sell their home, or pass away within a few years of taking out the loan, a reverse mortgage can be an expensive option. However, the longer a reverse mortgage is in place, the lower its overall loan cost.

In most cases, loan fees and costs are capped and may be financed as part of the reverse mortgage. Below is a more in-depth explanation of each type of fee.

DETAILS ABOUT FEES

» ***Origination Fee***
The origination fee helps cover a lender's costs and expenses for making the reverse mortgage—including office overhead. The entire amount of the origination fee may be financed as part of the mortgage.

Under the HECM program, the maximum origination fee is equal to 2 percent of the value of the home (with a minimum fee of $2500), or 2 percent of an amount established by the Department of Housing and Urban Development (called the "maximum claim amount") up to a maximum claim amount of $200,000, plus 1 percent of any portion of the maximum claim amount greater than $200,000 (with a cap of $6,000).



Example 1	
Maximum Claim Amount	**$100,000**
Origination Fee Limit	**$2,500**
Calculation	
2% of $100,000 = $2,000	
Origination Fee = the greater of $2,000 or $2,500	

Example 2	
Maximum Claim Amount	**$300,000**
Origination Fee Limit	**$5,000**
Calculation	
2% of $200,000 = $4,000	
1% of $100,000 = $1,000	
Total $5,000	

Example 3	
Maximum Claim Amount	**$417,000**
Origination Fee Limit	**$6,000**
Calculation	
2% of $200,000 = $4,000	
1% of $217,000 = $2,170	
Total $6,170	
Origination Fee may not exceed $6,000	

Source: U.S. Department of Housing and Urban Development, Mortgagee Letter 2008-34, October 31, 2008.

» ***Mortgage Insurance Premium***
Under the HECM program, borrowers are charged a mortgage insurance premium (MIP), equal to 2 percent of the maximum claim amount, or home value, whichever is less, plus an annual premium thereafter equal to 0.5 percent of the loan balance. (The annual premium will accrue on your loan balance at a monthly rate.) The MIP is a standard fee charged by the government and paid to HUD. Among other things, HUD guarantees that if the company managing your account—commonly called the loan "servicer"—goes out of business, the government will step in and make sure you have continued access to your loan funds.

» ***Appraisal Fee***
An independent appraiser not affiliated with the lender is responsible for assigning a current market value to your home. Appraisal fees generally range between $300–$500 or more, depending upon your area and loan product or home value. In addition to placing a value on the home, an appraiser also checks for obvious major structural defects, such as a bad foundation, leaky roof, or termite damage. Federal regulations and investor standards require that your home be structurally sound, and comply with all home safety codes, in order for the reverse mortgage to be made. If the appraiser uncovers property defects, you must hire a contractor to complete the repairs. Once the repairs are completed satisfactorily, the same appraiser is paid for one (or more) visits to make sure the repairs have been completed. Appraisers commonly charge $50–$150 dollars for each follow-up examination. Certain repairs may be required to be performed prior to the closing of your loan. The cost of repairs may generally be financed

in the loan and are limited to 15% of the maximum claim amount.

» ***Closing Costs***

Other closing costs that are commonly charged to a reverse mortgage borrower include:

Credit report fee *– Verifies any federal tax liens, or other judgments, handed down against the borrower. Cost: generally under $20.*

Flood certification fee *– Determines whether the property is located on a federally designated flood plain. (If your property is in a flood zone you will be required to obtain flood insurance.) Cost: generally under $20.*

Escrow, Settlement or Closing fee *– Generally includes a title search and various other required closing services. Cost: $150–$450.*

Document preparation fee *– Fee charged to prepare the final closing documents, including the mortgage note and other recordable papers. Cost: $75–$150.*

Recording fee *– Fee charged to record the mortgage lien with the County Recorder's Office. Cost: $50–$100.*

Courier fee *– Covers the cost of any overnight mailing of documents between the lender and the title company or loan investor. Cost: generally under $50.*

Title Insurance *– Insurance that protects against any loss arising from disputes over ownership of or liens against your property. Varies by size of the loan, though in general, the larger the loan amount, the higher the cost of the title insurance.*

Pest Inspection *– Determines whether the home is infested with any wood-destroying organisms, such as termites. Cost: generally under $100 (if applicable).*

Survey *– Determines the official boundaries of the property. It's typically ordered to make sure that any adjoining property has not inadvertently encroached on the reverse mortgage borrower's property. Cost: generally $250–$1,000 or more, depending upon your area (if applicable).*

WHAT IS A SERVICING SET-ASIDE?

The servicing set-aside is an amount of money deducted from the available loan limit at closing to cover the projected costs of servicing your account. Federal rules pertaining to the HECM program allow the loan servicer (which may or may not be the same company as the lender who makes the loan) to charge a monthly fee that cannot exceed $35. The amount of money set-aside is largely determined by the borrower's age and life expectancy. Generally, the set-aside can amount to several thousand dollars. **Please understand that the servicing set-aside is just a calculation and not a charge.** The only amount added to your loan balance for servicing your loan will be the monthly servicing fee.

UNDERSTANDING YOUR TOTAL COST

» ***TALC Disclosure***

The federal government requires your lender to provide a disclosure in connection with your reverse mortgage known as the Total Annual Loan Cost Rate, commonly referred to as the "TALC." The TALC rate is a single rate that includes all loan costs. It is the annual average rate that would generate the total amount owed at any point of the loan if charged on the loan advances made prior to that time. TALC rates are projections based on assumed loan terms (the number of years from the beginning of the loan to its maturity—based on assumed life expectancies) and assumed average annual home appreciation rates. The TALC disclosure will show you that the Total Annual Loan Cost Rate is greatest in the short term because the loan costs financed at closing are a greater percentage of the total loan balance in the early years of the loan. In addition, you will find that the TALC is smallest when the loan term is longest and the assumed annual appreciation rate of your home is the smallest. TALC rates begin the highest and decrease most quickly for loans with monthly advances only. If you take all available funds as a single lump sum payment, the TALC rates start out much lower and do not decrease as fast.

In general, the TALC Disclosure emphasizes the following cost patterns for most reverse mortgages:

- ***The cost of a reverse mortgage is expensive if repaid within a few years.***
- ***The overall annual average cost of a reverse mortgage goes down over time.***
- ***The cost of a reverse mortgage can be quite moderate if you live in your home beyond your life expectancy and your home appreciates at a moderate rate.***

OTHER FINANCIAL ISSUES TO THINK ABOUT

Although reverse mortgages offer an obvious and unique financial benefit in allowing borrowers to tap or use home equity while continuing to reside in their property, other potential financial implications associated with reverse mortgages need to be investigated before you determine that a reverse mortgage is right for you.

» ***Benefit Programs***

While Social Security and Medicare benefits are generally not affected by a reverse mortgage, if you are currently qualified for benefits that are means-tested, such as Supplemental Security Income (SSI), Medicaid and various state-administered programs, a reverse mortgage could affect your continued eligibility for those benefits. In general, although loan advances are not typically treated as income, under many federal and state government means-tested programs, loan advances retained by the borrower in a readily available form (such as your bank account) beyond the end of the month in which they are received could be viewed as a liquid resource and might reduce your benefits or potentially disqualify you from further benefits. Since there are variations in Medicaid programs between states, it is important to check the specific rules for your state. If you are currently receiving Medicaid or other means-tested benefits programs, you will likely want to preserve those benefits. You should therefore consider how you elect to receive your reverse mortgage proceeds and how you manage those proceeds as a key element in maintaining your benefit program eligibility. As an example, depending upon the Medicaid rules in your state, you might consider receiving your reverse mortgage loan proceeds through a line of credit rather than as a lump sum amount or by regularly scheduled payments and then managing each line of credit advance to ensure that you have spent each advance prior to the end of the month in which it was received.

» ***Tax Impact***

Similarly, how you use your reverse mortgage proceeds could impact your overall tax liability. While the IRS generally does not consider loan advances to be income for tax purposes (and the interest on a reverse mortgage is not deductible for tax purposes until it is actually paid), if you use reverse mortgage proceeds to purchase an annuity, part of the income generated from the annuity may be taxable and could also be treated as income by SSI, Medicaid and other means-tested programs, resulting in reduction in benefits or loss of eligibility.

» ***Subsidized Mortgage Programs***

If you currently have a limited purpose reverse mortgage or a forward mortgage that is supported by government or nonprofit agency financial assistance, you should understand that a reverse mortgage generally requires that this obligation be paid and the underlying security interest released. You should therefore consider whether it is in your overall best interest to obtain a reverse mortgage and pay off this obligation. Generally a special mortgage loan program either postpones collection of taxes or provides a loan at a low interest rate. In some cases, the principal balance of the loan may be forgiven after a certain period of time. While HUD generally requires earlier mortgages to be paid off prior to or with the closing of a reverse mortgage, HUD may, depending upon the circumstances, agree to other arrangements if a special assistance mortgage is involved. In any event, you should understand any loss of benefits or penalties that arise from paying off such a government or agency supported mortgage and consider whether the overall benefit of a reverse mortgage outweighs these unfavorable circumstances.

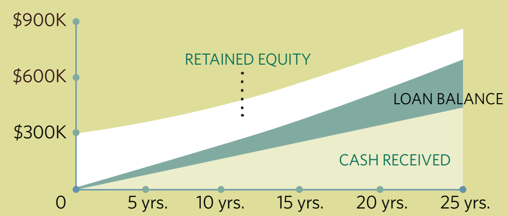
» ***Estate Planning***

The appropriateness of a reverse mortgage for you may also be impacted by your specific estate planning goals. Since the outstanding balance of your reverse mortgage loan must be paid before your home can be inherited, your estate must either refinance or sell the home, thereby reducing the net sale proceeds available to your heirs. Also, if your home must be sold at the loan's maturity, anyone then living in the house may have to move out. (This does not apply to your spouse if he/she is a borrower under the loan.) Please understand that upon the occurrence of a maturity event, the lender is generally able to extend to you or your estate six (6) months to sell your home and pay off your reverse mortgage balance so long as the property is marketed for sale with reasonable effort and other requirements of the reverse mortgage security instrument are complied with, such as paying taxes, insurance, and

any other obligations that might create a lien on the property, as well as maintaining the property in good condition.

The amount of equity remaining after a reverse mortgage is paid off can be an important consideration for other reasons as well. It may impact not only your decision to take a reverse mortgage, but also may influence your decision as to which payment option to use and how much of the available loan proceeds you wish to access. While most borrowers want and expect to live in their homes for the rest of their lives, not all are able to do so. You might consider preserving some portion of your home equity and not tapping into all of it through a reverse mortgage loan. As previously discussed, when all borrowers have moved out of the home, the loan becomes due and the full loan balance must be repaid. If there is remaining equity in the home after the loan has been repaid, these proceeds could potentially be used to help pay for you or your spouse's relocation and continuing expenses. Your loan representative can provide you with many illustrations to show you projections as to how a reverse mortgage might impact your remaining home equity over time.

EXAMPLE OF REVERSE MORTGAGE IMPACT ON RETAINED EQUITY



REVERSE MORTGAGE: HECM
BORROWER AGE: 75
HOME VALUE: $300,000
MONTHLY TENURE PAYMENT: $1,266.95
INITIAL INTEREST RATE: 3.180% (IN EFFECT AS OF 1/29/09)
ANNUAL HOME PRICE APPRECIATION: 4%

» ***Investment Funding***

Reverse mortgages may not always be suitable vehicles for funding investments, whether for stocks, bonds, real estate, or other investment opportunities. Not only will the amount you invest typically be at risk, but loan origination, and interest and servicing costs that must be paid in connection with your loan, are likely to outweigh any investment returns you might otherwise earn.

If you are considering using your reverse mortgage for investment purposes, it is important that you receive independent advice from a trusted advisor who does not earn a fee or commission from the investment.

» ***Use of a Reverse Mortgage to Purchase Long-Term Care Insurance***

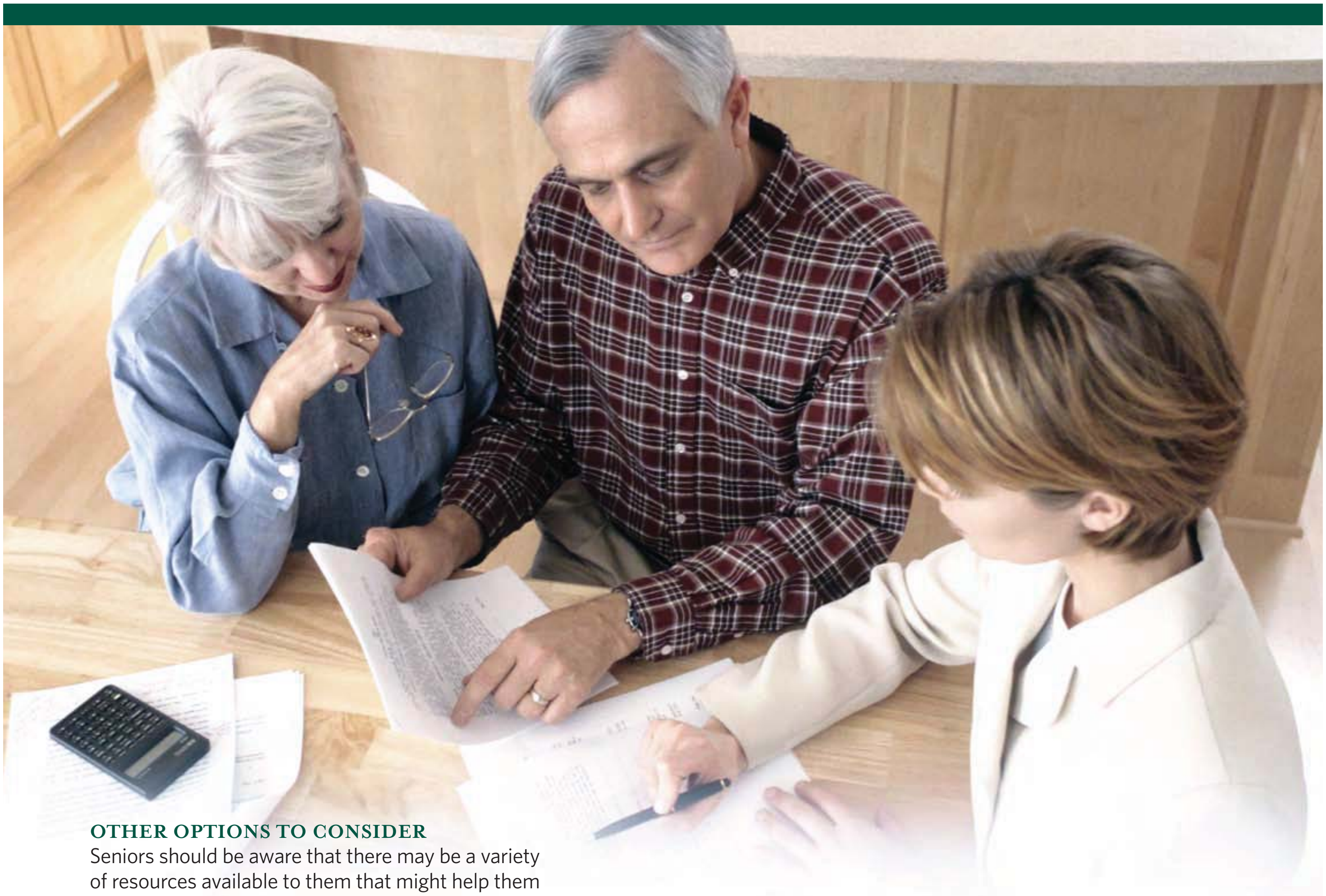
Reverse mortgages can provide a source to help pay for long-term care insurance. However, you should be aware that this strategy can potentially be very costly because you could be paying both insurance premiums and interest on the loan for many years. In addition, you could face the risk that your long-term care coverage may lapse if you run out of funds to pay the long-term care insurance premium before long-term care is needed.

If you are considering using your loan proceeds to purchase long-term care insurance, we recommend that you receive advice from a trusted advisor who does not earn a fee or commission as a result of your purchase of long-term care insurance.

» ***Use of a Reverse Mortgage to Purchase an Annuity***

An annuity can give you monthly cash advances for life, no matter where you live. By contrast, a reverse mortgage can provide monthly advances generally only as long as you live in your home. Therefore, if you are considering an annuity, you should think about how long you expect to remain in your home. Generally, using a reverse mortgage to purchase an annuity is more expensive than simply receiving monthly reverse mortgage advances. This is because your immediate loan balance will typically be larger if you buy the annuity with a lump sum of reverse mortgage proceeds, which results in larger interest charges.

We do not offer or sell annuities and do not encourage or suggest that you purchase an annuity with reverse mortgage loan proceeds. If you are considering using your loan proceeds to purchase an annuity, it is important that you receive independent advice from a trusted advisor who does not earn a fee or commission as a result of your purchase of an annuity.



OTHER OPTIONS TO CONSIDER

Seniors should be aware that there may be a variety of resources available to them that might help them meet their needs without obtaining a reverse mortgage. Most importantly, Low- and Low-to-Moderate Income homeowners may be eligible to receive benefits from local, state, and federal public programs. To determine the benefits you may be eligible to receive, please visit www.benefitscheckup.org, a website sponsored by the National Council on Aging, a nonprofit organization. At the website, you can enter information about yourself and find out what programs you qualify for and information on applying for these programs. In addition, public and private nonprofit agencies and organizations serving seniors have established planning and service areas known as "Area Agencies on Aging," or "AAAs," to coordinate the delivery of a variety of services to meet the needs of seniors. To find the AAA nearest you, call 1-800-677-1116 or visit www.eldercare.gov.

In addition, you might also consider selling your home and moving. The process of exploring alternative living arrangements rather than obtaining a reverse mortgage will help you determine how much you value remaining in your present home.

GATHER THE FACTS—CHOOSE CAREFULLY

As we've tried to outline in this brochure, a reverse mortgage is not the best solution for every senior but it can be an excellent choice for many seniors who evaluate their options carefully. We encourage you to take the time to gather all the facts and discuss your plans and specific needs with your family and financial, legal, and tax advisors. If you decide to proceed with a reverse mortgage transaction, you will be required to attend counseling from an independent HUD-approved counseling agency. Any questions or concerns you have regarding a reverse mortgage (or how you plan to use the proceeds from a reverse mortgage) should be addressed during that session.

Reverse mortgages clearly have a number of positive features for seniors. Most importantly, by using a reverse mortgage to liquidate a portion of your housing wealth, you do not have to move or relinquish control over your most important asset—your home.

Consult financial advisor and appropriate government agencies for any effect on taxes or government benefits.

EQUAL HOUSING LENDER

Make sure you understand the features associated with the loan program you choose and the effect of an adjustable rate to your overall loan cost.